

<b>Issue Form - BSCP40/04</b>	<b>Issue Number</b> 62
<p><b>Issue Title</b> Amending the BSC arrangements to allow ELEXON to tender for the Uniform Network Code Gas Performance Assurance Framework Administrator (PAFA) role</p>	
<p><b>Issue Description</b> Under the gas Uniform Network Code (UNC) there are two modifications (MOD506/A) which are seeking to introduce performance assurance arrangements into the gas market for the first time. MOD506, which has been raised by ScottishPower, would see a competitive tender exercise run by the Gas Transporters (distribution companies) to appoint an independent administrator (the PAFA) for an initial period of 2 years. MOD506A, raised by SSE, would give this role to Xoserve. These modifications are out to consultation until 12th November 2015, after which the UNC Modification Panel will vote on whether to recommend implementation to Ofgem<sup>1</sup></p> <p>ELEXON obviously has significant experience and understanding of performance assurance techniques in the energy environment and has transferable skills and knowledge that would potentially meet the criteria for the appointment of the PAFA, should Ofgem approve MOD506. However it is expected that there would be a number of other parties who would tender for the role of the gas PAFA.</p> <p>ScottishPower would therefore like to explore the potential for the BSC arrangements to be changed to allow ELEXON to bid for the contract to be the gas PAFA. The Gas Transporters have advised that under MOD506, if Ofgem were to approve it, they would use their Agent, Xoserve, to undertake the tender process. This would render Xoserve unable to bid for the PAFA work. Whilst the two modifications propose that they are implemented as soon as possible after an Ofgem decision, the main focus has been to get a gas PAFA operational in time for implementation of Project Nexus (re-development of the central gas settlement system) on 1st October 2016.</p>	
<p><b>Justification for Examining Issue</b> There would be potential benefit to the energy industry and the BSC Parties, if ELEXON were able to bid for the role of the gas PAFA. In particular it would be a first step in moving to dual fuel arrangements in the energy market, where common processes are placed with a single entity to derive a common understanding, practices, synergies, cost efficiencies and ultimately consumer benefit.</p> <p>Whilst Elexon already does some work outside of the BSC's core remit, in administering the Warm Home Discount scheme and as EMR settlement service provider, it has not entered into the competitive market. For the avoidance of doubt, ScottishPower believes that the scope of discussion should only be in relation to the gas PAFA. However ScottishPower believes that by developing arrangements and allowing ELEXON to test their competitiveness in the gas market, the experience could be used in determining the appetite from BSC parties extending ELEXON's scope into the wider energy market. In addition if ELEXON were able to bid for and won the work it would also serve as a wider opportunity to test the benefits and synergies of placing dual fuel services with a single entity.</p>	
<p><b>Potential Solution(s)</b> <i>(Optional by originator)</i></p> <p>ScottishPower does not have a pre-determined solution to this issue, but believes that there are a number of aspects and questions that the Issue Group should consider. These include:</p> <ol style="list-style-type: none"> <li>1. Based on Ofgem's suggested criteria under P284, when assessing whether to propose ELEXON's participation in the gas assurance arrangements, consider the following: <ul style="list-style-type: none"> <li>• how would BSC Parties benefit from any diversification;</li> <li>• how the arrangements could ensure that there is no disproportionate risk placed on BSC Parties (what ring fencing provisions are required?);</li> <li>• how standards of service under the BSC should be maintained; and</li> <li>• how to assure that ELEXON's BSC role does not give it any undue competitive advantage in a</li> </ul> </li> </ol>	

<sup>1</sup> More details of MOD506/A can be found here - <http://www.gasgovernance.co.uk/0506>

contestable activity.

2. What are the potential synergies (and benefits) associated with ELEXON providing settlement assurance services for both gas and electricity?
3. Is there a time constraint on when a Modification would be required to allow ELEXON to participate in the provision of gas assurance services?
4. What are the relevant applicable BSC objectives associated with ELEXON's participation in gas assurance services?
5. Do Parties believe ELEXON should provide services on a not for profit basis, akin to the BSC?
6. Who would decide if ELEXON would submit a bid (Panel, BSC Parties, Board)?
7. How could a bid from ELEXON be funded?
8. Are there any other factors that need to be considered for a Modification to be developed that would permit ELEXON's participation in the provision of gas assurance services?

### **Proposer's Details**

**Name:** Angela Love

**Organisation:** ScottishPower Energy Retail

**Email Address:** angela.love@scottishpower.com

**Telephone Number:** 0141 614 3365/07725 999391

**Date:**02/11/2015